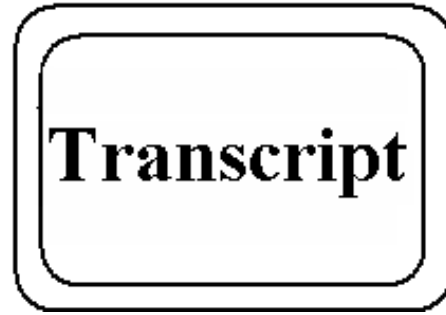




**Minister for Superannuation and
Corporate Law**

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**Transcript
of**

Senator Nick Sherry
Minister for Superannuation and Corporate Law

ABC NEWS RADIO BREAKFAST interview with Marius Benson

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E&OE

**SUBJECTS: Henry Tax Review Retirement Incomes Consultation Paper;
superannuation; equity; pension age; tax**

GLEN BARTHOLOMEW: Well anyone in retirement or contemplating an end to their working life would be well aware that superannuation earnings have been among the areas hardest hit by the global economic crisis.

But future retirees could look back on these as the good old days with a Federal Government review now looking at some tough options to make superannuation affordable for an ageing population.

To look at the way ahead for people leaving the workforce Marius Benson is speaking now to the Minister for Superannuation, Senator Nick Sherry.

REPORTER: Senator Sherry, in broad terms it's clear from the consultation paper prepared by Ken Henry that change is coming to superannuation. There's not a belief that in that area everything's hunky-dory, it's not broke so don't fix it. There is a need for change.

SENATOR SHERRY: Well I think it's generally true. There's been a two-stream debate if you like. One is about adequacy. Do we have a retirement income, both through the age pension and superannuation contributions that provides an adequate retirement for Australians?

And then there is a second debate which isn't the focus of the Henry tax review, it's about how the system is operating, including issues around fees and charges and the like.

REPORTER: In broad terms, people in retirement and close to retirement, quite a few of those listening now, they've made calculations on the basis of the existing rules. Are you telling them that when the Henry report comes down next year, change will come?

SENATOR SHERRY: Well I don't want to pre-empt the outcomes of the Henry tax review. It's a comprehensive examination of not just the retirement incomes-superannuation system, but also the tax system. So I can't pre-empt that.

But I think there are some issues in superannuation that I do think need some focus. One of those is that for low income earners, super is not a particularly good deal because if you're a low income earner you're paying a higher tax - contributions tax in this case on your super than you are in respect to your income tax. I mean, that's one anomaly if you like that stands out that I think needs some attention.

REPORTER: In fact the consultation paper is pointing to the fact that a lot of the benefits are spread very unevenly. The tax benefits, some 37 per cent of the tax benefits available under super, go to five per cent of the population. Do you want to change that?

SENATOR SHERRY: Well let's wait for the Henry Tax Review, let's not pre-empt it. But I think as a matter of fact superannuation more generally favours higher income earners because the nature of the contributions tax, which is 15 per cent, obviously if you're able to salary sacrifice your income into superannuation, and you're a higher income earner the difference between your income tax and the 15 per cent contributions tax is more substantial the higher your income, and the net advantage declines.

And as I've said, if you're a low income earner it's not a good deal in the sense of the contributions income tax matching. So there are legitimate issues to have a look at.

REPORTER: Another issue is the retirement age. The population is living longer and longer, and 65 is too young in the eyes of many.

SENATOR SHERRY: Well it might be in the eyes of many, but I think what's different about Australia compared to other countries, there are a number of differences; firstly we have a means-tested age pension. Most other countries don't have that feature. Secondly, we have a younger population, although it is ageing. Now those features mean we don't face the sorts of fiscal pressure in the long-term from the ageing population that other countries do.

So I must say I'm a sceptic of increasing pension ages. I think with age 65, there's certainly an expectation that that should continue.

REPORTER: And in broad terms, are big changes coming or is this just going to be tweaking at the edges for super?

NICK SHERRY: Well we've got to wait for the conclusion of the review. Whatever the Henry Tax Review comes up with, it will set a pathway for reform and I'd anticipate those changes would occur over a reasonable timeframe. You're not going to see massive change tomorrow. I think you've got to balance the need for change against the timeframe because we've had a lot of change in superannuation over the last 20 years. I think you've got to carefully balance that level of change we've seen against the need for certainty.

REPORTER: Nick Sherry, thank you very much.

SENATOR SHERRY: Thank you very much.